

HOW TO BUY IN MONTREUX



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Residence permit

To buy a residential property in Switzerland you must be a Swiss resident and have a B or C type residence permit. It should be noted that the B type permit does not allow you to purchase multiple properties.

In certain regions which are considered tourist destinations, you may purchase certain properties reserved for foreigners who are not residents, as these properties are considered second homes. Brokers must ensure that clients fulfil these compulsory criteria before they visit the properties.

Swiss nationals or foreigners with a residence permit (B/C)

Only Swiss nationals and foreigners with a B or C type residence permit may have access to a main residence or second home.

However, the main residence must be occupied for at least 6 months of the year and the second home at least 3 weeks a year.

If a foreigner decides to purchase a plot of land, they are strongly encouraged to build their house within the year following the purchase.

Foreigners without a residence permit

Authorisation is necessary to purchase a second home and it cannot be sold for 5 years. Non-resident foreigners may only buy one property with a plot area of 1000 sqm and a living area of maximum 200 sqm.

It is important to note that the same regulation applies to children over 20 years old living outside their parent's home who wish to have access to the property.

However the possibility of purchasing a larger plot of land without any size restrictions is available if you buy in a new tourist destination. This is a new option that the Valais property market is offering.

Building norms/regulations

In order to retain the ski resorts charm, a new law, under the name of Lex Weber, puts a limit on the building of second homes in resorts.

It is, however, possible to build a property which has already received building permission and to renovate an existing property. If the renovation of the second home is located in an area which comes under the regulation, it will be possible to increase the property's size by up to 30%.

It is possible to demolish a property but it must be rebuilt in the same place. When purchasing a new-build property, a 10% downpayment must be made, followed by a payment of 30% during the levelling/foundations phase, 30% when the roof is laid, and the remaining 30% when the keys are handed over.

Financing

The broker must ensure clients have the financial means to purchase a property and to point them towards professionals in the financial field in order for their case to be evaluated and to find the most suitable mortgage.

Properties worth less than CHF 2,500,000: In financing terms, for properties worth less than CHF 2,500,000, banks request a 20% deposit, half of which must be paid in cash whilst the other half can be from a pension fund. The remaining 80% may be financed by the bank through a mortgage. The mortgage may not be greater than 33% of the purchasing individual's, or couple's, total income.

The property shall be depreciated at the minimum rate of 1%/year until the debt represents no more than 66% of the property's value.

Properties worth more than CHF 2,500,000: If the sale price is more than CHF 2,500,000, the bank may request a larger deposit, up to 40%. This depends on the prospective buyer's financial situation.

There are no time limits on paying off your property loan. Bank interest rates must be paid every three months, and a minimum of 1% of the total sale price must be paid every year. For Swiss nationals and permanent residents, 50% of the sale price must be paid before reaching 60 years old. It is worth speaking with several banks in order to obtain a competitive rate.

Choosing a notary

Once the financial situation has been verified and both parties have reached an agreement on the final sale price, a notary must be appointed by the purchaser for the signing of an intermediate or definitive deed of sale. All sales in Switzerland are conducted through a notary.

To put a hold on a property, a minimum of 10% of the sale price must be deposited in the account of the Valais Association of Notaries, who will retain the amount until the sale is finalised. The notary prepares the deed of sale and suggests a date for the signing thereof. The remaining 90% shall be paid upon signing the deed of sale, or when the keys are handed over if the property is under construction. Notary fees and registration taxes represent about 5% of this sum and shall be paid by the purchaser.

Upon receiving the deed of sale signed by both parties, the Land Registry will register it in order for the purchaser to become the new owner of the property. Notary fees, including the property transfer fee and other taxes, amount to about 5% of the sale price.

A seller or purchaser can be represented by a third party through the power of attorney.

Different types of property sales contracts

Property sales can take different forms.

Final sale: direct sale.

Provisional sale agreement: a pre-contractual agreement pending a future property sale contract. This is a deed which is signed when certain important information for the contract has not yet been established.

Forward sale: this is a sale whereby the transfer of the property and the payment are deferred. This sale allows the purchaser to prepare financing and for the seller to plan their move.

Payment

A downpayment shall be paid by the purchaser to the notary prior to signing the deed of sale. This normally represents 10% to 20% of the sale price. The balance shall be paid on the day the final sale is signed, or upon transfer of the property in the case of a forward sale.

VAT

VAT in Switzerland lies at 7.7%.

Commission for Swiss property agencies

Commission owed to agencies is paid by the owner, except in unusual circumstances. Payment of agency commission in the Canton of Vaud generally amounts to between 3% and 5% of the total sale price plus VAT, depending on the region and the type of contract signed with the owner.

Technical surveys

The Cantonal Energy Certificate for Buildings (known as the CECB® in Switzerland) is identical throughout Switzerland and is compulsory in certain cantons, including the Canton of Vaud, when a property changes ownership.

This is acquired at the owner's expense and shall be supplied upon signing the deed of sale with the land registry. The cost of this certificate amounts to roughly CHF 800 for a single residence.

Its objective is to show the efficiency of the building envelope on the one hand, and the energy consumption for the building when used in a standard fashion on the other. The energy consumption is represented by a classification ranging from A (very energy efficient) to G (little energy efficiency). As an owner you can therefore obtain an objective energy appraisal of your building. Furthermore, the CECB® provides qualitative information on the potential for energy improvement of the building envelope and the building's technical installations.

Capital gains tax

When an owner sells a property in the Canton of Vaud, it is subject to taxation on the profit and earnings made on the property transaction.

Transactions carried out under the framework of inheritance are not subject to this tax (taxation is deferred until a subsequent taxable transaction, such as a sale).

The notary calculates the amount of tax due and deducts it from the sale price.

If the owner has sold their main residence and plans on reinvesting the profit within a reasonable timeframe by buying a new main residence, they can benefit from re-investment.

In the Canton of Vaud, the tax is set under a sliding scale according to the number of years owned, as follows:

Up to 1 year	30%
1 year - 2 years	27%
2 years - 3 years	24%
3 years - 4 years	22%
4 years - 5 years	20%
5 years - 6 years	18%
6 years - 7 years	17%
7 years - 8 years	16%
8 years - 9 years	15%
9 years - 10 years	15%
10 years - 11 years	14%
11 years - 12 years	14%
12 years - 13 years	13%
13 years - 14 years	13%
14 years - 15 years	12%
15 years - 16 years	12%
16 years - 17 years	11%
17 years - 18 years	11%
18 years - 19 years	10%
19 years - 20 years	10%
20 years - 21 years	9%
21 years - 22 years	9%
22 years - 23 years	8%
23 years - 24 years	8%
Over 24 years	7%



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THE GREATEST TRANSACTIONS
ALWAYS BEAR THE SAME SIGNATURE



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